

Trump repeats threat to escalate tariffs if no China trade deal is reached

Nick Beams

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It is now almost six weeks since US President Trump emerged from a meeting with top-level Chinese officials at the White House to declare that an “in principle” agreement had been reached on a “phase one” trade agreement.

The expected signing date of November 16–17 has come and gone and the two sides have yet to make a deal.

The two main sticking points are: reluctance by the Chinese side to give specific figures for increased agricultural imports—Trump is demanding they be doubled from pre-trade war levels to around \$50 billion within two years—and the refusal of the US to give any commitment on the rollback of existing tariffs as insisted on by Beijing.

On Tuesday, for the second time in a week, Trump made a public threat to escalate tariffs unless an agreement is reached.

“China’s going to have to make a deal that I like, if they don’t do it that’s it. If we don’t make a deal with China, I’ll just raise the tariffs higher,” he told reporters.

The US has already threatened to impose a 15 percent tariff on a range of \$160 billion worth of consumer goods from China including smart phones and laptop commuters—many of them Apple products—on December 15 if no agreement is reached.

The negotiations have been further complicated by the passage in the US Senate of legislation that would force the administration to annually review Hong Kong’s special trading status—a move that brought condemnation from China and a call for the White House to block it. The passage of the bill had been called for by sections of the Hong Kong democracy protest movement. A Chinese foreign ministry spokesman said “attempted tricks” by the US aimed at

interference in China’s internal affairs and to “hinder China’s development will not prevail.”

Vice President Mike Pence, who has warned in two major speeches in the last year about the threat posed to the US by China’s economic and technological development, has directly linked the issue of Hong Kong to the trade talks. He said on Tuesday it would be tough for the US to sign a trade agreement with China if the Hong Kong demonstrations were met with violence from Beijing.

In response to Trump’s latest tariff threats, the Chinese media appears to be preparing for the collapse of negotiations. “Few Chinese believe that China and the US can reach a deal soon,” the editor of the state-run *Global Times*, Hu Xijin, tweeted yesterday. “China wants a deal but is prepared for a worst-case scenario, a prolonged trade war.”

The key issue on agriculture, which Trump wants to be a major component of any “phase one” agreement, is China’s concern it could not reach the level of imports demanded. Its negotiators maintain increased purchases must be market based and comply with World Trade Organisation rules. The Chinese are seeking to present themselves internationally as the champions of free trade in opposition to Trump and fear that an increase in agricultural imports to the levels demanded by the US would mean discrimination against others, in contravention of international rules.

But the major source of conflict is the maintenance of existing tariffs. China is demanding that all tariffs imposed after negotiations collapsed in May be removed and that a mechanism be put in place to roll back tariffs imposed before then.

The US side has insisted from the outset that its tariffs must be kept in place as part of an enforcement mechanism. The two sides are reported to have agreed

that there should be such a mechanism that would see tariffs reimposed if differences could not be resolved.

But the Chinese negotiators insist these measures should be “reciprocal” and the US side be seen to make concessions. One of the reasons the talks collapsed in May was that the US demanded that Beijing change its laws. This was seen as an intolerable interference in China’s sovereignty, akin to the “unequal treaties” imposed on China in the 19th century and early years of the 20th.

Beyond the immediate question of what is or is not in any “phase one” deal, or whether an agreement can even be reached, there is the larger issue of the push to suppress China’s technological and industrial development, regarded as a threat to the economic and military dominance of the US.

In a comment yesterday, *Financial Times* economics columnist Martin Wolf noted: “Property rights in ideas are so valuable that they have become a significant source of international conflict.”

Wolf cited a passage from a recently published book by Michael Pillsbury, described by Trump as the “leading authority” on China, which is indicative of views held in key sections of the US political, military and intelligence establishments.

In *The Hundred Year Marathon*, which asserts China has a plan to become the world’s dominant power by the year 2049, the centenary of the Chinese Revolution, Pillsbury writes that “China ... regularly hacks into foreign commercial entities ... making [it] the world’s largest perpetrator of IP theft. This allows the Chinese to cheat their way up the technology ladder.”

As Wolf noted, the appropriation of technology has been going since the start of the Industrial Revolution, including by the United States. Chinese trade policies, he wrote, were less protectionist than those of the US in the 19th century and China had made an effort to implement WTO obligations on intellectual property. But this is regarded as “grossly inadequate” in part because “China is determined to catch up on today’s more advanced countries.”

Wolf, who always seeks to find a “golden mean” when writing on the contradictions and conflicts of the global capitalist economy, called for measures to make it harder for China to appropriate intellectual property but not to stop it.

But such calls are not in line with the US agenda. As

the May 2018 document presented to China makes clear, it wants nothing less than the subordination of the Chinese economy to American dictates and regards state subsidies to finance industrial development and the “Made in China 2025” program as major threats.

There is evidence of criticism of the Trump administration that, notwithstanding its trade war, it is not pursuing this broader agenda with sufficient force.

According to a Bloomberg report, Scott Kennedy, an expert on US-China relations at the Center for Strategic and International Studies in Washington, characterised Trump’s escalation of the trade war as “ill-conceived and signs of progress seemed more targeted at calming markets than resolving significant structural problems like China’s vast web of industrial subsidies.”

“We’re far beyond, ‘The boy who cried wolf,’” Kennedy said. “Someone now could write a new story, ‘The leader who called ‘deal.’”



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